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December 15, 2008

## **AGENDA ITEM 3f**

### **TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Master Custody Contract Renewal
- II. PROGRAM:** CalPERS Total Fund
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

This is an information item regarding the preparation of a one-year extension to the current custody services contract. CalPERS has a contract with State Street Bank & Trust (State Street Bank) for Master Custody Services. The competitively bid contract was effective July 1, 2006, for a three year period, with the option of two one-year renewals. Under the full five-year term, the contract would expire June 30, 2011. At this time, a contract extension has not been entered into for the first one-year term, July 1, 2009 through June 30, 2010. Decisions to enter into these extensions are generally made several months in advance in order to allow time to make alternate arrangements, should that be necessary or appropriate.

Since 1992, CalPERS has engaged State Street Bank to perform its Master Custody Services. State Street has served without interruption as the result of a series of competitive solicitations and contract awards with varying durations during this period.

The Investment Office has implemented a system to evaluate State Street Bank's performance based on mutually agreed upon factors. Over the past two fiscal years, State Street Bank has consistently received favorable evaluations from CalPERS staff on their annual evaluations. The annual evaluation for the current fiscal year will be completed in August 2009.

Authority to select and oversee service contracts, including the custody contract, is delegated to staff. Because this is a significant contract, staff is providing this update to ensure that the committee is informed.

Staff will be available at the Board meeting to answer questions.

**V. STRATEGIC PLAN:**

Goal I. Exercise global leadership to ensure the sustainability of CalPERS' pension and health benefit systems.

Goal VIII. Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits, and second, to minimize and stabilize contributions.

**VI. RESULTS/COSTS:**

There are no additional costs associated with this agenda item. Funding for this contract is contained within the Investment Expenses existing budget.

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Matt Flynn, Division Chief  
Operations, Performance and Technology

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Anne Stausboll  
Interim Chief Investment Officer